

United States Senate

WASHINGTON, DC 20510

June 27, 2006

The Honorable Kofi Annan
United Nations Secretary-General
Room S-3800, United Nations Plaza
First Avenue at 46th Street
New York, NY 10017

Dear Secretary-General Annan:

On June 20th, 2006, the Senate Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management, Government Information, and International Security held a hearing entitled, "U.N. Headquarters Renovation: No Accountability Without Transparency." The purpose of the hearing was to consider the level of accountability and transparency within the U.N. system in light of further U.S. funding of the U.N. headquarters renovation, the Capital Master Plan. This was the second hearing the subcommittee has had. The first hearing was a year ago, and it appears transparency has not improved regarding how Capital Master Plan funds are used. The evidence and testimonies presented at this year's hearing overwhelmingly make the case for greater transparency at the U.N.

The massive renovation and expansion at Turtle Bay is being carried out by the same procurement and management system responsible for the Oil for Food scandal – one of the largest financial scandals in history. Yet, there have been no significant changes in the U.N. procurement system since the world learned about the criminal misuse of funds intended to feed and medicate desperate Iraqis suffering under Saddam Hussein's dictatorship. Instead, the funds were diverted to kickbacks, illegal oil vouchers, corrupt officials, Saddam's palaces and cronies, and a slew of U.N. officials and vendors.

Unfortunately, the mismanagement of the U.N.'s procurement process continues to be a facet of the organization's regular business and is a gross violation of the good faith of taxpayers all over the world. In the past year, we have learned through media reports and the U.N.'s own internal auditors of additional instances of financial mismanagement that suggests the entire U.N. procurement system is plagued by corruption. For example, U.N. auditors found that nearly a third of the \$1 billion in contracts that they reviewed was lost to mismanagement and corruption. This is the equivalent of the entire U.S.-paid portion of this procurement lost to fraud and waste. If we could salvage our peacekeeping donation from this misuse for just two years, it would more than fund the U.S. portion of the Capital Master Plan.

Without transparency, there can be no accountability. To this day, there are companies, like Eures Support Services, that have been implicated in the ongoing procurement scandals but are still active United Nations contractors. We do not know the full extent of past and present procurement scandals involving kick-backs, bribery, nepotism, and worse because the United Nations refuses to submit its books to close scrutiny by member states, the media, law enforcement, non-governmental organizations and private citizens. Clearly, there are major problems with procurement at the United Nations that need to be remedied.

In April 2006, the U.S. Government Accountability Office (G.A.O.) released reports detailing the weaknesses of the U.N. procurement and auditing systems. According to the G.A.O reports, unless the U.N. cleans up its act, the waste, fraud and abuse of countless hundreds of millions of dollars will continue with impunity.

For these reasons, the United Nations must, at the very least, have meaningful and full transparency with its procurement contracts and budget before the United States Congress agrees to begin funding the \$1.749 billion Capital Master Plan or agrees to release the U.S. portion of the remaining U.N. biennial budget. We are calling upon the U.N. to do the following:

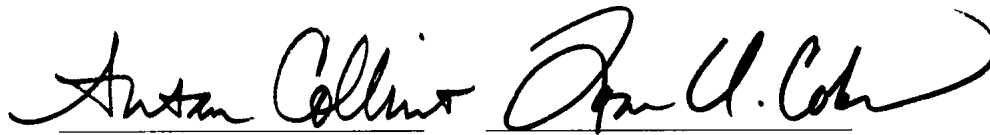
1. Implement complete transparency with past, present, and future procurement expenditures and contracts starting with the Capital Master Plan and continuing throughout the U.N. system. Costs, invoices, payments, bidding, descriptions of services provided and other financial information for all U.N. contractors and subcontractors should be itemized and available for the world's public, media, and governments on a searchable internet website.
2. Establish an independent process to consider vendor protests as recommended by the U.N.'s 1994 high-level panel of international procurement experts. This would ensure the U.N. provides reasonable assurance of the fair treatment of vendors. In addition, senior U.N. management would be alerted to procurement staff's failure to comply with procurement regulations.
3. Make the Office of Internal Oversight Services financially independent to conduct legitimate and conflict-of-interest-free audits of the U.N. renovations as the project progresses.

Earlier this month, Senator Coburn traveled to the United Nations headquarters and met with Deputy Secretary General Mark Malloch Brown and key members of the Group of 77 including Chile, Egypt, India, Pakistan, Singapore and Thailand. Before the U.N. trip, Senator Coburn also met with the Ambassadors from countries who are the three largest U.N. donor states after the United States: Japan, Germany, and the United Kingdom. In each of these meetings, the lack of U.N. transparency was discussed, and in each of these meetings, the call for transparency, as defined above in number 1, was wholeheartedly endorsed. With such broad and overwhelming support, transparency and

accountability are immediately achievable—even in the event that reforms are again rejected by the U.N. budget committee later this week.

Before member states begin to pour hundreds of millions more into a corrupt U.N. procurement system, it is imperative that we know that good faith efforts for transparency and accountability are being entertained and enacted. We find it difficult to send more taxpayer dollars to a system that is prone to corruption and mismanagement, and has not shown significant progress toward reform. As the U.S. Congress considers appropriations for FY2007, we call upon the United Nations to respond to our multilateral call for transparency, starting, at the very least, with the Capital Master Plan.

Sincerely,

The block contains two handwritten signatures in black ink. The signature on the left is for Susan M. Collins, and the signature on the right is for Tom Coburn. Both signatures are written in a cursive, flowing style.

Chairman Susan M. Collins
Senate Homeland Security
and Governmental Affairs
Committee

Chairman Tom Coburn
Senate Subcommittee on
Federal Financial
Management, Government
Information, and International
Security

cc: Secretary Condoleezza Rice
Ambassador John Bolton
Senator Mitch McConnell
Senator Richard Lugar
Senator Norm Coleman
Senator Joseph Biden